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Structure of Farming under Free Trade

Impacts of NAFTA. The impacts of free trade under NAFTA would be substantially different depending on whether farm subsidies were eliminated. That is, without a level playing field in terms of subsidies, the distortions would be large. (Editors note: it is difficult to envision “free trade” in a world where farm subsidies were significant. Free trade and subsidization should be incompatible in economic terms). In addition, the impacts of going to free trade will fall the heaviest on those farmers having the highest subsidy levels. There are early research results suggesting that structural change has been more rapid in Canada in terms of reduced farm numbers than in the US where high levels of subsidies have existed.

Political Influence of Farmers. There was substantial discussion of the issue of whether the political power of farmers has declined. A Canadian view was expressed that farmers’ political power had declined under NAFTA. The political power of farmers in Mexico may also have declined, although, this is more difficult to determine because revealed power varies by sector and over time. In the case of the United States, it appears that the political power of farmers either has not changed or may have actually increased. The perspective was presented that as farm numbers decline they may be more sophisticated lobbyists and their political power may increase. This appears to be the case in the United States.

Producer Support for CWB. Producer support for the Canadian Wheat Board (CWB) has declined but it is still there, particularly among smaller and moderate size farmers who are risk averse and desire not to be bothered with marketing decisions. However, political support for the CWB could disappear in a period of 1-5 years depending on the outcome of elections to the Board of directors of the organization, or according to the trade negotiation stance taken by the federal government. A counteracting pressure for retaining the status quo is the continued trade action pressure by the United States which appears to be consolidation support for the CWB.

Attitudes of Farmers. There are farmers who want government to solve their problems and others who want to deal with problems themselves. The former results in increased government involvement in agriculture in terms of subsidies as well as more rules and regulations.

Trade Disputes. There was substantial discussion of the role of NAFTA as a source of trade disputes versus a contributor to resolution of disputes. It was noted that a trade dispute could be argued to be an effort to redress the perception of domestic policy injustice. The perception produces the need to blame someone, which may or may not be justified. Examples include hog disputes between the United States and Canada, wheat disputes between the United States and Canada, sugar disputes among the United States, Canada and Mexico; and the R-Calf cattle imports dispute between the United States and Canada.

There was general agreement that the United States anti-dumping framework makes no sense when applied to agricultural commodities because of the volatile nature of farm markets and prices. In addition, application of dumping rules does not consider conditions in the domestic market or the interrelation of cross-border prices. A comment was made that if dumping were defined as sales below cost, 80 percent of the time there would be dumping agriculture.

Section 3

Competition Under Free Trade

The objective of this section is to review level of competition now, and to analyze if full free trade would produce an effectively competitive industry.